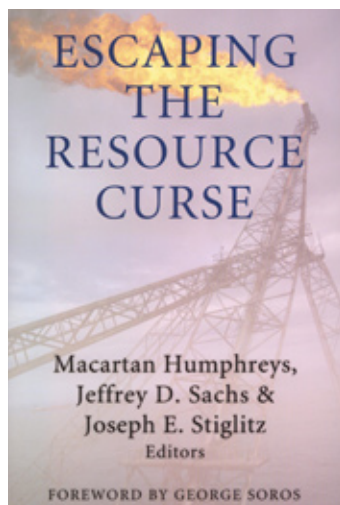


Escaping the Resource Curse

Edited by Macartan Humphreys, Jeffrey D. Sachs, and Joseph E. Stiglitz
New York: Columbia University Press, 2007. 408 pages.

Reviewed by KAYSIE BROWN



Kaysie Brown is a deputy director of the Program on International Institutions and Global Governance at the Council on Foreign Relations. She has written on topics such as the legacies of war economies in post-conflict peacebuilding; business and international crimes; security and development in the South Pacific; and the rule of law in peace operations. Her recent publications include: *Greater than the Sum of Its Parts? Assessing "Whole of Government" Approaches to Fragile States* (International Peace Institute, 2007), and *The Pentagon and Global Development: Making Sense of the DoD's Expanding Role* (CGD, 2007).

be less developed than similar states lacking such resources. Jeffrey D. Sachs, in his foreword, attributes the curse to three overlapping phenomena: so-called "Dutch disease," where resource-related capital inflows inflate currency values and crowd out unrelated industries like manufacturing and agriculture; the volatility of commodity prices; and the negative effects of resource abundance on fragile political institutions, which Sachs identifies as a consequence of states' ability to raise funds without taxation. Indeed, below-ground wealth in the developing world is found in countries such as Nigeria, Iraq, and Angola—known more for corruption, conflict, human rights abuses, and authoritarian rule than for good governance or successful poverty-reduction programs.

According to Sachs, "it has now been recognized that transparency and accountability are the remedies" for overcoming the curse. While this sentiment may overstate the extent to which a cure has been found, transparency and accountability are undoubtedly key ingredients, and the editors emphasize them throughout the analysis and policy recommendations that make up the book. In keeping with their focus on solutions, *Escaping the Resource Curse* aims to offer countries that are potentially affected by the curse a framework for effectively managing their oil and gas reserves.

The editors' ambition is undeniable: In their attempt to present a workable solution to one of the more bedeviling economic challenges of recent years, they marry theory and practice while addressing the curse's socio-economic and political effects. Arranged like a handbook for policymakers in oil-rich states, the volume is divided into three sections. Part I comprises particularly interesting (but somewhat cum-

With oil prices becoming increasingly volatile, demand for energy rising in China and India, and instability affecting key oil producers in the Middle East, *Escaping the Resource Curse* surfs the wave of interest in new oil-producing countries. Unfortunately, these producers—such as Sudan and several West African countries—are often better known for poverty, civil conflict, and political instability than for sound resource management policies. For these countries, absorbing substantial new capital inflows without succumbing to civil disorder or corruption poses quite a challenge—one made even more difficult by the set of economic and political distortions collectively known as the "resource curse." This edited volume, in which leading academics, practitioners, and policymakers focus on overcoming the problems faced by states endowed with large oil and gas reserves, could not have come at a better time.

The resource curse is commonly defined as the tendency of states with large reserves of natural resources, such as oil or diamonds, to

bersome) chapters discussing ways for governments to improve their negotiations with oil corporations, since greater understanding of these processes—from deciding how and when to privatize, to evaluating the economic conditions of an oil contract, to selecting a skilled negotiator—can create more transparency in the oil industry itself.

The next two sections discuss the ways in which natural resource management plays a key role in resource-rich countries once the taps have been turned on and oil revenue has started to pour into a country. Part II focuses on the technical aspects of managing the macroeconomy. It includes a chapter written by Sachs that unpacks how and when oil wealth can have deleterious effects on other economic sectors, and recommends specific ways to reverse this powerful trend. Macartan Humphreys and Martin Sandbu contribute an engaging and well-written chapter on using natural resource funds to push for better management of petroleum revenues in the developing world. These funds, which often employ escrow accounts, typically limit governments' discretion to spend oil money, attempting to conserve and direct the proceeds either by stabilizing oil revenues or by saving a portion for future use. The authors conclude that such funds will be sustainable only if they are accompanied by incentives for political change.

Part III picks up on this theme by focusing on the legal and political dimensions of creating responsible revenue management policies and practices. In one of the only chapters to focus on minerals (as opposed to oil), Michael Ross packs a lot of punch into his examination of the effects of resource wealth distribution. While it is popularly believed that mineral wealth creates wider gaps between the rich and poor than other forms of wealth, he concludes that the evidence is not yet strong enough to confirm this. Given the lack of data, Ross calls on states to focus on creating policies that enable workers to transition from “tradable” sectors such as agriculture and manufacturing to “nontradable sectors” such as services (no doubt easier said

than done). His chapter ends with a balanced, thought-provoking, and cautionary discussion of the promises and pitfalls of decentralization as a method of countering regional inequality.

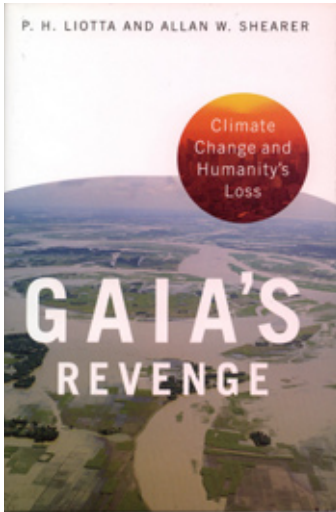
The conclusion, co-authored by the editors, attempts to bring all of the pieces of the resource puzzle together by making 13 recommendations that span its economic, political, technical, and theoretical aspects. Roughly two-thirds of these recommendations target ways oil-rich governments themselves—and by extension their citizens—could reap greater rewards from their resource wealth. The remaining four recommendations concentrate on how the international community could generate greater transparency and accountability in the oil industry. These proposals include setting stricter standards for multinational corporations and creating a worldwide public information office on oil and gas revenues that would build on the current “Publish What You Pay” initiative. One of the more interesting recommendations proposes creating a global clearinghouse for all natural resource revenue funds.

While most of the chapters reflect the latest thinking on the resource curse, and a few move that debate forward significantly, the volume as a whole is a mixed bag. *Escaping the Resource Curse* does not live up to its ambitious goal of bringing together many different streams of thought; instead, it is a rather disjointed collection of discussions about economics, the macroeconomy, and political and legal issues. The real challenge—and the real need—is to figure out to the ways in which these issues intersect. Also, the book sometimes fails to move beyond well-established debates on the resource curse or to make certain very technical ideas accessible to a more general audience—a definite flaw for a volume targeted at policymakers.

Most importantly, the book seems to give short shrift to some of the most intractable aspects of the resource curse. For example, the authors do not explain how to convince an oil-rich governmental elite to initiate reform—a necessary prerequisite to negotiating with oil companies and establishing revenue

management systems. All too often, they simply assume that the political elite will be virtuous, and thus do not explain how to achieve buy-in. The book also fails to account for China's growing influence, which has transformed the reform landscape, as well as oil-industry

nationalization, which has recast the balance of power between oil companies and producing states. While these omissions leave room for further study, *Escaping the Resource Curse* is still an important contribution to a topic that is unlikely to go out of style anytime soon.



Gaia's Revenge: Climate Change and Humanity's Loss

By Peter H. Liotta and Allan W. Shearer
Westport, CT: Praeger, 2007. 194 pages.

Reviewed by DAVID M. CATARIOUS, JR., and RONALD FILADELFO

David M. Catarious, Jr., and Ronald Filadelfo work as research analysts at the Center for Naval Analysis (CNA), where they were members of the team that produced the April 2007 report *National Security and the Threat of Climate Change*.

Liotta and Shearer make it clear that this book is not a history of or primer on climate science. In fact, the third paragraph lists everything the book is not supposed to be, concluding that “instead, this book is about the challenges that confront us and finding ways to envision the most effective actions that may best taken” (p. 2).

In *Gaia's Revenge: Climate Change and Humanity's Loss*, Peter Liotta and Allan Shearer argue that scenario analysis can be a useful tool for policymakers searching for the proper response to the impending challenges presented by climate change. Over the course of seven chapters, the authors move from presenting the theoretical underpinnings of scenario development to discussing and critiquing an example of a climate change-focused scenario developed for the Department of Defense. Unfortunately, the discussion is, at times, disjointed and not fully developed. Despite these drawbacks, *Gaia's Revenge* provides an interesting change of perspective for members of either the environmental or security communities.

The authors review the changing definition of security; discuss the impact of different levels of uncertainty on the mindset of decision-makers; and offer a framework for developing and considering climate change-focused scenarios. In describing why these scenarios are of such importance, they state: “We must create representations that allow us to come to terms with [climate change]”. *Gaia's Revenge* concludes with a chapter on the current state of the climate change debate in the United States, the difficulty of finding workable solutions, the major issues threatening human security in the coming century, and the need for action at levels other than that of the nation-state.

By looking only at the title, readers may mistakenly expect to read about the past and future effects of climate change on the planet and human beings in particular. Early in the text,

The book's strength is its ability to provoke discussion among policy- and decision-makers on opposite sides of the divide between the traditional security community and the newer players in the security realm (e.g., the environmental community). By discussing climate